

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 3145

LIMDIS

E.O. 11652: GDS

TAGS: BEXP, PFOR, HU

SUBJECT: FOREIGN TRADE MINISTER BIRO

REF: BUDAPEST 3126

1. IN ORDER TO ASSIST WASHINGTON OFFICIALS WHO WILL BE DEALING WITH FONTRADE MINISTER BIRO WE HAVE PREPARED THE FOLLOWING COMMENTS ABOUT HIS OWN ATTITUDES. WE ASSUME NORMAL BIOGRAPHICAL MATERIAL IS ALREADY AVAILABLE.

2. PROFESSIONAL ATTITUDES. BIRO WILL BE COMING TO U.S. WITH A NUMBER OF ECONOMIC FACTORS--BESIDES MFN--ON HIS MIND, AS THIS IS A PERIOD OF FERMENT IN HUNGARIAN TRADE WITH THE WEST.
A. BIRO WILL FEEL HE IS IN A GOOD PSYCHOLOGICAL POSITION TO DEAL WITH US, HAVING JUST BEEN THE PRINCIPAL SPOKESMAN FOR NEW TRADE LAW WHICH WILL FACILITATE EXPANSION OF HUNGARY'S TRADE WITH THE WEST. INTERESTINGLY THE LAW PLACES HUNGARIAN PARTICIPATION IN THE INTERNATIONAL DIVISION OF LABOR FIRST AMONG FOREIGN TRADE OBJECTIVES AND THE BRITISH AMBASSADOR TOLD US THIS ELEMENT WAS PROMINENTLY ON HIS MIND IN ENGLAND. IT ALSO ESTABLISHES THE LEGAL BASIS FOR EXPANDED WESTERN BUSINESS CONTACT AND DIRECT WESTERN BUSINESS REPRESENTATION IN HUNGARY. IT WILL NOT OF COURSE CHANGE HUNGARY'S PRIMARY RELIANCE UPON TRADE WITH EASTERN EUROPE,
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THOUGH WE BELIEVE BIRO (AND THE GOVT) SEE WESTERN TRADE

CURRENTLY AS ESPECIALLY IMPORTANT BECAUSE OF THE NEED FOR TECHNOLOGY TO UNDERPIN HUNGARY'S CONTINUED EXPANSION.

B. BIRO WILL HAVE THE RELATIVE ADVANTAGES OF DEALING WITH DIFFERENT WESTERN TRADE PARTNERS VERY MUCH IN MIND, HAVING JUST RECEIVED A HIGH LEVEL JAPANESE TRADE DELEGATION, VISITED THE UK (INCLUDING A CALL ON THE PRIME MINISTER) AND SIGNED A NEW LONG RANGE TRADE AGREEMENT WITH THE FRG TRADE MINISTER. WE HAVE A PSYCHOLOGICAL ADVANTAGE BECAUSE OF THE REPUTATION OF OUR TECHNOLOGY, BUT HE WILL HAVE COMPETITIVE FACTORS VERY MUCH IN MIND.

C. BIRO WILL ALSO BE HIGHLY AWARE THAT HUNGARY'S BALANCE OF PAYMENT POSITION WITH THE WEST IS CURRENTLY TAKING A BAD BEATING FROM INFLATION. FROM A FAVORABLE BALANCE IN 1973, HUNGARY IS MOVING TO A \$250 MILLION DEFICIT IN 1974 AND THE PRIME MINISTER RECENTLY PREDICTED A SIMILAR DEFICIT IN 1975. INDEED THE DEFICIT HAS RECENTLY BEEN ESTIMATED FOR THE YEAR AS LIKELY TO BE EQUAL TO 4 PERCENT OF NATIONAL INCOME, REDUCING THE OVERALL GROWTH RATE OF NATIONAL INCOME FROM 6 PERCENT TO 2 PERCENT. BIRO WILL THEREFORE BE VERY SENSITIVE TO THE RELATIVE RATE OF INCREASE IN EXPORTS TO IMPORTS. HUNGARY CANNOT, INDEED, INCREASE ITS IMPORTS UNLESS IT INCREASES ITS EXPORTS.

D. BIRO IS NOW IN THE MIDDLE OF PLANNING THE FOREIGN TRADE COMPONENT OF HUNGARY'S NEXT FIVE YEAR PLAN. HE WILL HAVE THE 1976-1980 PERIOD VERY MUCH IN MIND, AND HIS VISIT IS THEREFORE A TIMELY OPPORTUNITY TO PUT FORWARD OUR ECONOMIC INTERESTS IN MAJOR PROJECTS HUNGARY WILL BE PLANNING. IN THIS CONTEXT HIS ESTIMATE OF THE TIMING AND FUTURE RELIABILITY OF THEIR MFN STATUS WILL PLAY A BIG ROLE IN THEIR DECISIONS.

E. INCREASED ENERGY COSTS IN THE WEST AND FORTHCOMING ENERGY COST INCREASES FROM THE USSR IN 1975 WILL ALSO BE IMPORTANT FACTORS WITH HIM. ALTHOUGH SOV OIL IMPORTS WILL INCREASE, DEMAND WILL INCREASE FASTER, REQUIRING LARGER AND HIGHER COST IMPORTS FROM THE MIDDLE EAST. HOW MUCH THIS INCREASED BURDEN WILL LIMIT HUNGARY'S CAPABILITY ALSO TO INCREASE ITS IMPORTS OF TECHNOLOGY WOULD BE WORTH EXPLORING.

F. BIRO IS ALSO CONSCIOUS, ESPECIALLY IN LIGHT OF HUNGARY'S RECENT EXPERIENCES WITH MEAT EXPORTS TO THE COMMON MARKET, CONFIDENTIAL

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OF THE NEED TO DIVERSIFY HUNGARY'S WESTERN TRADE CONTACTS. THIS PROVIDES OUR MAIN OPPORTUNITY FOR TRADE WITH THEM, THOUGH BIRO WILL PLAY HIS JAPAN CARD WITH EQUAL STRENGTH.

G. BIRO WILL UNDOUBTEDLY BE ACTIVELY INTERESTED IN COMMERCIAL CREDITS (ON HIGHLY FAVORABLE TERMS). HE HAS CONSISTENTLY BEEN MORE INTERESTED IN SUCH CREDITS THAN HUNGARY'S BANKERS HAVE BEEN.

H. BIRO WILL ALSO BE COMING WITH A STRENGTHENED HAND

DOMESTICALLY OVER THE DECENTRALIZED HUNGARIAN FOREIGN TRADING SYSTEM, AS THE NEW LAW EMPHASIZES THAT FOREIGN TRADE ULTIMATELY IS A STATE MONOPOLY, AND GIVES BIRO WIDE, IF USUALLY LOOSELY EXERCISED, POWERS OVER IT.

3. PERSONAL ATTRIBUTES. BIRO'S WASHINGTON HOSTS WILL FIND HIM A MAN OF CONSIDERABLE ROUGH-HEWN CHARM. HE CAN ALSO BE SLIGHTLY WITHDRAWN, BUT HE IS ALMOST CERTAIN TO TURN ON THE CHARM IN WASHINGTON. HE ALSO IS A MAN OF CONSIDERABLE DETERMINATION AND WILL WATCH HUNGARIAN INTERESTS CAREFULLY. TALL, LIGHT HAired, ONCE PROBABLY MUSCULAR, BIRO MIGHT HAVE BEEN ANOTHER DAME HALFBACK IF HE HAD BEEN BORN IN THE U.S. HE SPEAKS QUITE GOOD ENGLISH BUT WILL PROBABLY USE HUNGARIAN DURING BUSINESS CONVERSATIONS FOLLOWING INITIAL PLEASANTRIES. AT SOCIAL OCCASIONS HE WILL PROBABLY USE ENGLISH. ONLY 53, HE HAS TALKED OCCASIONALLY OVER THE PAST YEAR ABOUT RETIRING FOR HEALTH (WE BELIEVE HEART PROBLEM) REASONS, BUT MORE RECENTLY HE HAS GIVEN THE IMPRESSION THAT THIS IS LESS LIKELY. HE HAS, INTERESTINGLY, A BROTHER WHO IS A CATHOLIC PRIEST, ALBEIT A "PEACE PRIEST."

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C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 3145

LIMDIS

4. EXPERIENCE AND ATTITUDES TOWARD U.S. PRIOR TO BECOMING FONTRADE MINISTER BIRO HAD BEEN THE HEAD OF THE NIHEX (HEAVY INDUSTRY) FOREIGN TRADING COMPANY AND ALSO HUNGARIAN COMMERCIAL COUNSELOR IN LONDON. HE THUS KNOWS

THE BUSINESS AND DIPLOMATIC SIDES AS WELL AS THE GOVERNMENTAL SIDE OF FOREIGN TRADE. OUR IMPRESSION OF THE MINISTRY OF FOREIGN TRADE UNDER HIS LEADERSHIP IS THAT IT HAS BEEN CONSERVATIVE--ESPECIALLY IN AREAS OF INTEREST TO U.S. SUCH AS BUSINESS REPRESENTATION AND JOINT VENTURES. TOWARD U.S., OF COURSE, THE ISSUE HAS BEEN COMPLICATED BY LACK OF MFN, AND BIRO RECENTLY HAS BEEN APPROVING BOTH REPRESENTATION AND JOINT VENTURES FOR OTHER COUNTRIES IN LIMITED NUMBERS. AT ONE IMPORTANT LOWER LEVEL IN THE MINISTRY CONNECTED WITH THESE ISSUES WE KNOW THE ATTITUDE TOWARD THE U.S. IS NOT GOOD; HOWEVER, BIRO GIVES NO EVIDENCE OF THIS ATTITUDE. HE SEEMS TO BE INTERESTED IN THE U.S. AND WAS CLEARLY PERSONALLY INTERESTED IN MAKING THIS TRIP.

5. TOP LEVEL GOV ATTENTION TO THE TRIP. DEPUTY PRIME MINISTER HUSZAR TOLD AMB LAST WEEK THAT BIRO'S VISIT TO THE U.S. HAD RECEIVED CAREFUL ATTENTION IN THE COUNCIL OF MINISTERS AND THAT THE PM HAD PUT IN HIS OWN IDEAS. THE PM IN A RECEPTION CONVERSATION SPOKE DIRECTLY TO AMB ABOUT THE VISIT IN KNOWLEDGEABLE TERMS. BIRO IS THUS CONFIDENTIAL

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COMING WELL PREPARED TECHNICALLY AND POLITICALLY FOR HIS TALKS. FROM OUR SIDE HIS RECEPTION WILL ALSO HAVE POLITICAL AS WELL AS ECONOMIC IMPLICATIONS, AS HE WILL CARRY IMPRESSIONS ABOUT THE STATUS OF OUR RELATIONS DIRECTLY INTO THE TOP LEVEL OF THE GOVT AND HENCE INTO THE POLITICAL COMMITTEE AND CENTRAL COMMITTEE OF THE PARTY. PEDERSEN

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